

WEBER HUMAN SERVICES

June 30, 2008 and 2007

Financial Statements

(With Auditors' Report)

**LITZ &
COMPANY**

*Certified Public Accountants
A Professional Corporation*

WEBER HUMAN SERVICES
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Years Ended June 30, 2008 and 2007

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**To the Board of Directors
Weber Human Services**

We have audited the accompanying financial statements of Weber Human Services, for the years ended June 30, 2008 and 2007, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Weber Human Services' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2008, on our consideration of Weber Human Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weber Human Services as of June 30, 2008 and 2007, and the results of operations and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Weber Human Services' basic financial statements. The Supplementary Information and the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Weber Human Services. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Litz & Company, P.C.

December 5, 2008

Management's Discussion and Analysis

As management of Weber Human Services (The Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the independent Auditor's report.

History and Background of Agency

Weber Human Services was formed January 1, 1994 under an interlocal cooperation agreement between Weber and Morgan Counties to provide mental health, aging and substance abuse services to the residents of those counties.

The interlocal agreement created a separate, legal, political entity. The term of the interlocal agreement is for fifty years. Either of the participating counties may terminate the agreement by giving a six-month notice.

Today Weber Human Services has approximately 400 employees who provide mental health and substance abuse treatment to over 6,000 distinct clients. Aging services provided approximately 106,000 congregate meals at area senior centers and 153,900 home delivered meals in FY 2008. Aging services also coordinates and administers various programs that involve over 850 individuals as volunteers as well as services ranging from information and education to managed care. Other programs include substance abuse prevention.

Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by \$6,811,303 (*total net assets*). Of this amount, \$2,092,605 may be used to meet the Agency's ongoing obligations.
- The Agency's total net assets decreased by \$401,443.
- At the end of the current fiscal year, the unrestricted net assets balance was \$2,092,625 or 9 percent of total fund expenditures.
- The Agency's total liabilities decreased by \$3,019,963 (12 percent) during the current fiscal year. The significant changes were 1) a \$1,985,000 decrease in the Certificates of Participation liability from scheduled debt services payments, 2) an increase of \$333,944 in accrued liabilities 3) a decrease of \$588,979 in accounts payable and 4) a decrease in post employment benefits of \$473,500.
- Revenues decreased by approximately \$1,777,854 or 6.9 percent. This is primarily due to a decrease of MACS funding.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. Weber Human Services is a special-purpose government engaged only in business-type activities, so only the fund financial statements are presented as the basic financial statements. The report also includes other supplementary information in addition to the basic financial statements.

Financial statements. The financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Agency is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused vacation leave).

The *Statement of Cash Flows* presents information showing how the cash and cash equivalents of the Agency changed during the most recent fiscal year because of cash flows.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes are part of the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Agency's functional expenses.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$6,811,303 at the close of the most recent fiscal year.

By far the largest portion of the Agency's assets (50 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt (Certificates of Participation payable) used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to clients; consequently, these assets are *not* available for future spending. Although the Agency's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Weber Human Service Net Assets

| | 2008 | 2007 |
|--|-------------|-------------|
| Current and other assets | \$6,317,849 | \$9,866,651 |
| Capital assets (net of accumulated depreciation) | 13,228,678 | 13,058,310 |
| Deferred charges, net | 212,427 | 255,399 |
| Total assets | 19,758,954 | 23,180,360 |
| Long-term liabilities outstanding | 8,959,097 | 11,366,463 |
| Other liabilities | 3,988,554 | 4,601,151 |
| Total liabilities | 12,947,651 | 15,967,614 |
| Net assets: | | |
| Invested in capital assets, net of related debt | 4,718,678 | 2,563,310 |
| Unrestricted | 2,092,625 | 4,649,436 |
| Total net assets | 6,811,303 | 7,212,746 |

The balance of *unrestricted net assets* (\$2,092,625) may be used to meet the Agency's ongoing obligations to creditors.

The Agency's net assets decreased by \$401,443 during the current fiscal year.

Business-type Activities. Key elements of the decrease of net assets are as follows:

Weber Human Service's Changes in Net Assets

| | 2008 | 2007 |
|--------------------------------------|-------------|-------------|
| Revenues: | | |
| Operating revenues: | | |
| Federal grant revenue | \$3,355,989 | \$3,607,121 |
| State revenue | 7,411,329 | 6,262,253 |
| Local revenue | 2,219,094 | 2,219,026 |
| Client revenue, net | 10,811,853 | 13,487,719 |
| Other income (expense) | | |
| Total operating revenue | 23,798,265 | 25,576,119 |
| Operating expenses: | | |
| Program salaries and benefits | 14,405,011 | 13,813,254 |
| Direct Program services for clients | 3,557,895 | 3,554,622 |
| Program operating expenses | 2,170,473 | 5,099,543 |
| Administrative salaries and benefits | 2,573,793 | 2,390,198 |
| Administrative expenses | 610,500 | 550,518 |
| Depreciation | 603,092 | 586,460 |
| Total Operating Expenses | 23,922,794 | 25,994,595 |
| Income/(Loss) from operations | (124,499) | (418,476) |

| | | |
|--------------------------------------|-----------|-------------|
| <hr/> | | |
| <hr/> | | |
| Non-operating revenues (expenses) | | |
| Interest income | 236,267 | 437,986 |
| Interest expense | (517,210) | (570,222) |
| Gain (loss) on sale of assets | 3,999 | 7,861 |
| Total non-operating income (expense) | (276,944) | (124,375) |
| <hr/> | | |
| Change in net assets | (401,443) | (542,851) |
| Net assets – Beginning | 7,212,746 | 7,755,598 |
| Net assets – Ending | 6,811,303 | \$7,212,746 |
| <hr/> | | |
| <hr/> | | |

- Revenues decreased by approximately \$1,777,854 or 6.9 percent. This is primarily due to a decrease of MACS funding.
- Investment earnings decreased by \$201,719 primarily because of decreased interest rates during 2008.
- Operating expenses decreased by approximately \$2,071,831 or 8%. This was due mostly to a decrease in the MACS program.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Capital Asset and Debt Administration

Capital Assets. The Agency's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$13,228,677 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture & equipment and vehicles.

Major capital asset events during the current fiscal year included scheduled replacement of certain fleet vehicles used in the Agency's operations and writing off any furniture and equipment purchased for less than \$5,000 that has been fully depreciated. The Agency also purchased two office suites in the Bamberger building at 205 26th street and a building at 137 27th Street that we were previously leasing for the Agency's UA lab.

Weber Human Service's Capital Assets
(net of depreciation)

| | 2008 | 2007 |
|--------------------------|--------------|--------------|
| Land | \$1,641,426 | \$1,641,426 |
| Buildings | 10,782,291 | 10,686,149 |
| Furniture and Equipment | 340,167 | 312,047 |
| Vehicles | 464,793 | 418,687 |
| Construction in Progress | 0 | 0 |
| Total | \$13,228,678 | \$13,058,309 |

Long-term debt. Weber Human Services issued \$9,340,000 of Certification of Participating Series 2007 along with \$1,355,000 of debt service fund reserves to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the \$10,495,000 of Series 1998 A & B Certificates of Participation. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carry amount of the old debt by \$319,527.

Additional information on the Agency's long-term debt can be found in Note 6 of the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Weber Human Services, ATTN: Randy Bates, 237 26th Street, Ogden, Utah 84401.

BASIC FINANCIAL STATEMENTS

WEBER HUMAN SERVICES
Statement of Net Assets - Proprietary Funds
June 30, 2008 and 2007

| | Primary Government | | Component Unit (as of Dec. 31, 2007) |
|--|---------------------------|-----------------------------|---|
| | 2008 | 2007 | |
| <u>Assets</u> | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 2,563,515 | \$ 5,489,486 | \$ 59,106 |
| Restricted cash and cash equivalents held by trustee | - | 1,409,381 | - |
| Investments | - | - | 210,561 |
| Accounts receivable, net | 3,202,385 | 2,567,398 | 1,587 |
| Inventory | 176,119 | 180,063 | 962 |
| Prepaid expenses | 291,744 | 220,323 | - |
| Total current assets | <u>6,233,763</u> | <u>9,866,651</u> | <u>272,216</u> |
| Noncurrent Assets | | | |
| Deferred charges, net | 212,427 | 255,399 | |
| Capital assets | | | |
| Land | 1,641,426 | 1,641,426 | - |
| Building | 14,631,107 | 14,161,245 | - |
| Furniture & equipment | 1,571,774 | 1,455,136 | - |
| Vehicles | 1,230,696 | 1,068,213 | - |
| Less accumulated depreciation | <u>(5,846,325)</u> | <u>(5,267,710)</u> | <u>-</u> |
| Net capital assets | <u>13,228,678</u> | <u>13,058,310</u> | <u>-</u> |
| Total noncurrent assets | <u>13,441,105</u> | <u>13,313,709</u> | <u>-</u> |
| Total assets | <u><u>19,674,868</u></u> | <u><u>\$ 23,180,360</u></u> | <u><u>\$ 272,216</u></u> |

The notes to the financial statements are an integral part of this statement.

WEBER HUMAN SERVICES
Statement of Net Assets - Proprietary Funds
June 30, 2008 and 2007

| | Primary Government | | Component |
|--|---------------------------|---------------|---------------------------------------|
| | 2008 | 2007 | Unit (as of Dec. 31, 2007) |
| <u>Liabilities and Net Assets</u> | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 581,380 | \$ 1,170,359 | \$ 522 |
| Accrued liabilities | 1,976,363 | 1,726,505 | - |
| Accrued interest payable | 167,926 | 274,021 | - |
| Accrued post employment benefits, current portion | 383,799 | 635,266 | - |
| Certificates of participation, current portion | 795,000 | 795,000 | - |
| Total current liabilities | 3,904,468 | 4,601,151 | 522 |
| Noncurrent Liabilities | | | |
| Accrued post-employment benefits, less current portion | 1,204,406 | 1,426,506 | - |
| Certificates of participation, less current portion | 7,715,000 | 9,700,000 | - |
| Deferred revenue | 39,691 | 239,957 | - |
| Total noncurrent liabilities | 8,959,097 | 11,366,463 | - |
| Total liabilities | 12,863,565 | 15,967,614 | 522 |
| Net Assets | | | |
| Restricted - Invested in capital assets, net of related debt | 4,718,678 | 2,563,310 | - |
| Restricted | - | - | 131,161 |
| Unrestricted | 2,092,625 | 4,649,436 | 140,533 |
| Total net assets | 6,811,303 | 7,212,746 | 271,694 |
| Total liabilities and net assets | \$ 19,674,868 | \$ 23,180,360 | \$ 272,216 |

The notes to the financial statements are an integral part of this statement.

WEBER HUMAN SERVICES

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds

For the Years Ended June 30, 2008 and 2007

| | <u>Primary Government</u> | | <u>Component</u> |
|---|---------------------------|---------------------|-----------------------|
| | <u>2008</u> | <u>2007</u> | <u>Unit (as of</u> |
| | | | <u>Dec. 31, 2007)</u> |
| Operating Revenues | | | |
| Federal grant revenue | \$ 3,355,989 | \$ 3,607,121 | \$ - |
| State revenue | 7,411,329 | 6,262,253 | - |
| Local revenue | 2,219,094 | 2,219,026 | 95,612 |
| Client revenue (net of match and cost of goods sold) | 10,811,853 | 13,487,719 | - |
| Total operating revenues: | 23,798,265 | 25,576,119 | 95,612 |
| Operating Expenses | | | |
| Program salaries and benefits | 14,405,011 | 13,813,254 | - |
| Direct program services for clients | 3,557,895 | 3,554,622 | - |
| Program operating expenses | 2,170,473 | 5,099,543 | 82,874 |
| Administrative salaries and benefits | 2,575,793 | 2,390,198 | 22,033 |
| Administrative expenses | 610,500 | 550,518 | - |
| Depreciation | 603,092 | 586,460 | - |
| Total operating expenses: | 23,922,764 | 25,994,595 | 104,907 |
| Operating income (loss) | (124,499) | (418,476) | (9,295) |
| Non-Operating Revenues (Expenses) | | | |
| Interest income | 236,267 | 437,986 | 11,566 |
| Interest expense | (517,210) | (570,222) | |
| Gain/(Loss) on sale of assets | 3,999 | 7,861 | 1,087 |
| Total non-operating income (Expense) | (276,944) | (124,375) | 12,653 |
| Change in Net Assets | (401,443) | (542,851) | 3,358 |
| Total Net Assets - beginning | 7,212,746 | 7,755,597 | 268,336 |
| Total Net Assets - ending | <u>\$ 6,811,303</u> | <u>\$ 7,212,746</u> | <u>\$ 271,694</u> |

The notes to the financial statements are an integral part of this statement.

WEBER HUMAN SERVICES
Statement of Cash Flows - Proprietary Fund
June 30, 2008 and 2007

| | Primary Government | | Component Unit |
|--|---------------------------|---------------------|----------------------------------|
| | 2008 | 2007 | (as of Dec. 31, 2007) |
| Cash flows from operating activities | | | |
| Receipt from grants and patients | \$ 22,963,012 | \$ 26,091,652 | \$ 97,458 |
| Payments to employees | (16,980,804) | (16,203,452) | |
| Payments to suppliers | (7,360,595) | (10,769,413) | (103,996) |
| Net cash provided (used) by operating activities | (1,378,387) | (881,213) | (6,538) |
| Cash flows from noncapital financing activities | | | |
| Sale of investments | - | 989 | |
| Purchase of investments | - | - | 25,740 |
| Interest received | 236,267 | 437,986 | 11,566 |
| Net cash provided (used) by noncapital financing activities | 236,267 | 438,975 | 37,306 |
| Cash flows from capital and related financing activities | | | |
| Purchase of assets | (709,277) | (255,893) | |
| Principle payments on certificates of participation obligation | (1,985,000) | (760,000) | |
| Interest paid | (517,210) | (570,222) | |
| Proceeds from sale of assets | 18,255 | 9,464 | 1,087 |
| Net cash provided (used) by capital and related financing activities | (3,193,232) | (1,576,651) | 1,087 |
| Net increase (decrease) in cash and cash equivalents | (4,335,352) | (2,018,889) | 31,855 |
| Cash and cash equivalents - beginning | 6,898,867 | 8,917,756 | 27,251 |
| Cash and cash equivalents - end | \$ 2,563,515 | \$ 6,898,867 | \$ 59,106 |

The notes to the financial statements are an integral part of this statement.

WEBER HUMAN SERVICES
Statement of Cash Flows - Proprietary Fund (Continued)
June 30, 2008 and 2007

| Reconciliation of operating income to net cash provided (used) by operating activities: | Primary Government | | Component Unit |
|--|---------------------------|---------------------|----------------------------------|
| | 2008 | 2007 | (as of Dec. 31, 2007) |
| Operating income | \$ (124,499) | \$ (418,476) | \$ (9,295) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | | |
| Depreciation and amortization expense | 603,092 | 586,460 | - |
| Changes in the following | | | |
| Accounts receivable | (634,987) | 476,550 | 1,846 |
| Inventory | 3,944 | (48,090) | (440) |
| Prepaid expenses | (71,421) | (10,578) | 1,556 |
| Deferred charges | 42,972 | 25,540 | |
| Accounts payable | (588,979) | 390,742 | (205) |
| Accrued liabilities | 290,276 | (2,011,220) | |
| Accrued interest payable | (106,095) | 21,795 | |
| Accrued post employment benefits | (592,424) | 74,379 | |
| Deferred revenue | (200,266) | 31,685 | |
| Total adjustments | (1,253,888) | (462,737) | 2,757 |
| Net cash provided (used) by operating activities | <u>\$ (1,378,387)</u> | <u>\$ (881,213)</u> | <u>\$ (6,538)</u> |

The notes to the financial statements are an integral part of this statement.

WEBER HUMAN SERVICES
Statement of Fiduciary Net Assets - Fiduciary Fund
June 30, 2008 and 2007

| | Representative Payee Program | |
|---------------------------|-------------------------------------|---------------|
| | 2008 | 2007 |
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 84,086 | \$ 78,439 |
| Total assets | <u>84,086</u> | <u>78,439</u> |
| <u>Liabilities</u> | | |
| Amounts due to patients | <u>84,086</u> | <u>78,439</u> |
| Total Liabilities | <u>84,086</u> | <u>78,439</u> |
| <u>Net Assets</u> | | |
| Total net Assets | <u>\$ -</u> | <u>\$ -</u> |

The notes to the financial statements are an integral part of this statement.

WEBER HUMAN SERVICES
Notes to the Financial Statements
June 30, 2008 and 2007

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Weber Human Services (the Agency), was organized on January 1, 1994 under an interlocal cooperation agreement between Weber and Morgan Counties to provide mental health, aging, and substance abuse services to the residents of those counties. The interlocal agreement created a separate, legal and political entity. The term of the interlocal agreement is for fifty years. One or both of the participating counties may terminate the agreement; however, the terminating party must give a six-month notice. In the event of termination, any property transferred by the participants will revert to the contributing county.

Weber Human Services' main sources of funding are as follows:

1. Federal Revenues
2. State Revenues
3. Local Revenues
4. Client Revenues
5. Interest Income

Weber Human Services Corporation, a not-for-profit corporation, (Corporation) is considered to be a discretely presented component unit of the Agency. The Corporation was formed in 1994 to assist the Agency in creating a secure basis of financial and community support and to provide quality, affordable human services to the residents of Weber and Morgan Counties. The Agency provides significant support to the Corporation. Total in-kind donations from the Agency to the Corporation during the year ended June 30, 2008 and 2007 were \$60,560 and \$59,319, respectively. The basic criterion for including the Corporation as a component unit is the financial statements may be misleading if Weber Human Services Corporation were not included. Separate financial statements for the Corporation may be obtained from Weber Human Services Corporation, 237 26th Street, Ogden, UT 84401.

Financial Statements

The financial statements (e.g. the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. The primary government is reported separately from certain legally separate component units.

Measurement Focus and Basis of Accounting

The financial statements are reported using economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

The operations of Weber Human Services are reported in the proprietary fund. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a

WEBER HUMAN SERVICES
Notes to the Financial Statements
June 30, 2008 and 2007

Note 1 - Summary of Significant Accounting Policies - Continued

Measurement Focus and Basis of Accounting - Continued

proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund of Weber Human Services are charges to customers for services and grants. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

In addition to the proprietary fund, the Agency reports a fiduciary fund type, which is a representative payee program. The representative payee program funds are amounts received by the Agency and held in trust for clients of the Agency. The Agency then disburses the funds at the request of the clients.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The Agency has elected to follow subsequent private-sector guidance, except for those that conflict with GASB pronouncements.

Assets, Liabilities and Net Assets

Cash and Cash Equivalents

The Agency defines cash and cash equivalents as all deposits in its checking, savings, money market accounts, and all highly liquid debt instruments purchased with an original maturity of three months or less. At times, cash balances in the Agency's accounts may exceed federally-insured limits.

Investments

The Agency records investments at fair value or amortized cost, which approximates fair value.

Accrued Annual Leave

It is the Agency's policy to permit employees to accumulate earned but unused annual leave up to 320 hours. All annual leave up to this amount is accrued when incurred in the financial statements.

Inventory

Inventory is valued at the lower of cost (first in, first out) or market and consists of prescription drugs.

WEBER HUMAN SERVICES
Notes to the Financial Statements
June 30, 2008 and 2007

Note 1 - Summary of Significant Accounting Policies - Continued

Assets, Liabilities and Net Assets - Continued

Capital Assets

Capital assets are recorded at cost, or in the case of donated assets, at fair value. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is charged as an expense on the Agency's operating statements. Accumulated depreciation is reported on the Agency's statement of net assets. Depreciation has been provided over the estimated useful lives of assets using the straight line method. The estimated useful lives of all depreciable capital assets are as follows:

| | <u>Years</u> |
|----------------------|--------------|
| Furniture & Fixtures | 3 – 10 |
| Vehicles | 3 – 10 |
| Equipment | 5 – 20 |
| Buildings | 40 |

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Charity Care

The Agency has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Since the Agency does not expect payment, estimated charges for charity care are not included in revenue. The amount of charity care provided during the year ending June 30, 2008 and 2007 was \$2,225,578 and \$1,827,823, respectively.

Note 2 – Stewardship, Compliance and Accountability

The Agency follows these procedures in establishing its budget:

1. On or before the first regularly scheduled meeting of the Board of Directors (Board) in May of each year, the Chief Financial Officer submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenses and the means of financing them.

WEBER HUMAN SERVICES
Notes to the Financial Statements
June 30, 2008 and 2007

Note 2 – Stewardship, Compliance and Accountability – Continued

2. The Board reviews and tentatively adopts the budget submitted.
3. A public hearing is conducted to obtain constituent and customer comments. The Board makes any necessary and proper adjustments to the budget.
4. Prior to the beginning of the fiscal year, the budget is enacted by adoption of a resolution by the Board.
5. The budget may be amended any time during the year. The amended budget is enacted by a resolution by the Board of Directors. The 2007 budget was amended during the year.
6. Formal budgetary integration is employed as a management control device during the year.

Note 3 - Deposits and Investments

Deposits. At June 30, 2008 and 2007, the Agency's bank balance was \$284,129 and \$1,442,711, respectively. Of the bank balances, \$255,758 and \$166,958, respectively, were covered by federal depository insurance and the remainder was uninsured and not collateralized. Utah state statutes do not require deposits to be collateralized. However, the state commissioner of financial institutions monitors financial institutions monthly and establishes limits for deposit of public money at individual financial institutions and the Agency follows these recommendations.

Investments. Statutes authorize the government to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's corporation or P-1 by Moody's commercial paper record, Banker's Acceptances, Repurchase Agreements, and the Utah Public Treasurer's Investment Fund (UPTIF), which is controlled by the State of Utah Money Management Act. The Agency has no investment policy that would further limit its investment choices. The amounts recorded approximate fair value at June 30, 2008 and 2007.

The government's investment balance at June 30, 2008 and 2007 was as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | | <u>Maturity</u> | <u>Quality Ratings</u> |
|-------------------------------|----------------------------|----------------------------|------------------------|-------------------------------|
| | <u>2008</u> | <u>2007</u> | | |
| UPTIF | \$ 2,994,820 | \$ 4,615,961 | N/A | Not Rated |
| Repurchase Agreements | <u>2,067</u> | <u>819,205</u> | Daily | N/A |
| Total | <u>\$ 2,996,887</u> | <u>\$ 5,435,166</u> | | |

WEBER HUMAN SERVICES
Notes to the Financial Statements
June 30, 2008 and 2007

Note 3 - Deposits and Investments – continued

Investments – continued

Reconciliation of deposits and investments to cash and cash equivalents:

| | <u>2008</u> | <u>2007</u> |
|------------------------------------|-------------------------|-------------------------|
| Deposits | \$ (351,711) | \$ 1,539,764 |
| Repurchase Agreements | 2,067 | 819,205 |
| UPTIF | 2,994,820 | 4,615,961 |
| Cash on Hand | <u>2,425</u> | <u>2,376</u> |
| Total Deposits and Investments | <u>\$ 2,647,601</u> | <u>\$ 6,977,306</u> |

As reported on the statement of net assets:

| | | |
|--|---------------------|---------------------|
| Fiduciary Cash and Cash Equivalents | \$ 148,551 | \$ 78,439 |
| Proprietary Cash and Cash Equivalents | 2,498,872 | 5,489,486 |
| Restricted Agency Cash and Cash Equivalents held by Trustee | <u>178</u> | <u>1,409,381</u> |
| Total Cash and Investments | \$ 2,647,601 | \$ 6,977,306 |
| Fiduciary Funds | <u>(84,086)</u> | <u>(78,439)</u> |
| | <u>\$ 2,563,515</u> | <u>\$ 6,898,867</u> |

For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency's \$2,067 and \$819,205 investment in Repurchase Agreements is uninsured and unregistered investments for which the securities are held by the counterparty. The Agency's sweep account is the Repurchase Agreements stated above. The government has no policy on custodial credit risk.

The Utah Public Treasurer's Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The fund investments must comply with the provisions of the Utah Money Management Act. The fund is not SEC registered. The fair value of the government's position in the fund is the same as the value of fund shares. Fifty four percent of the Agency's cash and cash equivalents are at the PTIF.

The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Agency has classified amounts invested in the PTIF as cash and cash equivalents.

WEBER HUMAN SERVICES
Notes to the Financial Statements
June 30, 2008 and 2007

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

| | Balance June 30, 2007 | Additions | Deletions | Balance June 30, 2008 |
|--|-----------------------------|------------|-------------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,641,426 | \$ - | \$ - | \$ 1,641,426 |
| Total | 1,641,426 | - | - | 1,641,426 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 14,161,245 | 469,862 | - | 14,631,107 |
| Furniture & equipment | 1,455,136 | 116,637 | - | 1,571,773 |
| Vehicles | 1,068,213 | 201,217 | (38,734) | 1,230,696 |
| Total | 16,684,594 | 787,716 | (38,734) | 17,433,576 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (3,475,096) | (373,720) | - | (3,848,816) |
| Furniture & equipment | (1,143,089) | (88,517) | - | (1,231,606) |
| Vehicles | (649,525) | (140,856) | 24,478 | (765,903) |
| Total | (5,267,710) | (603,093) | 24,478 | (5,846,325) |
| Net depreciable assets | 11,416,884 | 184,623 | (14,256) | 11,587,251 |
| Capital assets, net | \$ 13,058,310 | \$ 184,623 | \$ (14,256) | \$ 13,228,677 |

Note 5 - Accounts Receivable

Accounts receivable consists of the following:

| | Agency | Component unit (for the year ended Dec. 31, 2007) |
|--|--------------|---|
| State and local funding | \$ 3,121,294 | \$ 1,587 |
| Client revenue | 1,367,700 | - |
| | 4,488,994 | 1,587 |
| Allowance and contractual adjustments related to client revenue | (1,286,609) | - |
| related to state and local funding | - | - |
| | \$ 3,202,385 | \$ 1,587 |

WEBER HUMAN SERVICES
Notes to the Financial Statements
June 30, 2008 and 2007

Note 6 – Long-Term Debt

Long-term liabilities for the year ended June 30, 2008 are as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|------------------------------|-------------------|----------------------|---------------------------|------------------------------------|
| Certificates of Participation Series 2007 | \$ - | \$9,340,000 | \$ (830,000) | \$8,510,000 | \$ 795,000 |
| Certificates of Participation Series 1998A | 4,570,000 | - | (4,570,000) | - | - |
| Certificates of Participation Series 1998 B | <u>5,925,000</u> | <u>-</u> | <u>(5,925,000)</u> | <u>-</u> | <u>-</u> |
| Total certificates payable | <u>10,495,000</u> | <u>9,340,000</u> | <u>(11,325,000)</u> | <u>8,510,000</u> | <u>795,000</u> |
| Accrued post-employment benefits | <u>\$2,061,733</u> | <u>\$ 680,840</u> | <u>\$(1,154,368)</u> | <u>\$1,588,205</u> | <u>\$ 383,799</u> |

Advance and current refunding:

Weber Human Services issued \$9,340,000 of Certificates of Participation Series 2007 along with \$1,355,000 of debt service fund reserves to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the \$10,495,000 of Series 1998 A & B Certificates of Participation. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carry amount of the old debt by \$319,527.

Certificates of Participation:

Weber Human Services Lease Certificates of Participation Series 2007 were issued to finance the purchase of the land and buildings owned by the Agency. The certificates are secured by the land and buildings being financed. The certificates were issued on November 8, 2007 for \$9,340, with interest of 4.3% for a period of ten years. Payments to maturity for fiscal years ending June 30 are as follows:

| Year Ending June 30 | Principal | Interest | Total Debt Service |
|----------------------------|---------------------|---------------------|---------------------------|
| 2008 | \$ 795,000 | \$ 365,930 | \$ 1,160,930 |
| 2009 | 830,000 | 331,744 | 1,161,744 |
| 2010 | 865,000 | 296,054 | 1,161,054 |
| 2011 | 900,000 | 258,860 | 1,158,860 |
| 2012 | 940,000 | 220,160 | 1,160,160 |
| 2013-2017 | <u>4,180,000</u> | <u>458,594</u> | <u>4,638,594</u> |
| Total payments | <u>\$ 8,510,000</u> | <u>\$ 1,931,342</u> | <u>\$ 10,441,342</u> |

WEBER HUMAN SERVICES
Notes to the Financial Statements
June 30, 2008 and 2007

Note 6 – Long-Term Debt (continued)

Accrued Post Employment Benefits

The Agency pays one-third to one-half of the accumulated sick leave to retiring employees (depending on the employee's age at the time of retirement) calculated using the employee's current hourly rate. Also, employees who meet the provisions of the state retirement program will be permitted to convert any remaining sick leave (over one third) at a rate of 16 hours per month to purchase health and dental insurance coverage from the Agency. The liability for this benefit at June 30, 2008 and 2007, was \$1,588,205 and \$2,061,773, respectively. At June 30, 2008 and 2007, the Agency had 273 and 259 employees who were eligible for this benefit, respectively.

Note 7 – Pension Plan

Plan Description. The Agency contributes to the Local Governmental Noncontributory Retirement System (Systems), cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The URS issues a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System. A copy of this report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. The Agency is required to contribute 11.62% of the covered salaries to the Local Governmental Noncontributory Retirement System. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Agency contributions to the Noncontributory Retirement System for the years ending June 30, 2008, 2007, and 2006, respectively were \$1,234,263, \$1,158,063, and \$1,086,956. The contributions were equal to the required contributions for each year.

The Agency sponsors a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. This plan is also administered by the Utah Retirement Systems. It covers all eligible Agency employees. Participants are fully vested in employer and employee contributions. The Agency's contribution rate is determined by resolution of the Board of Directors. During the year ended June 30, 2007 the Agency contribution rate was 1.11% of eligible pay. The Agency also offers a 401(k) match of 1% of eligible pay for any employee that contributes 1%. The required contributions and match amounted to \$377,834 and \$346,217, respectively, and the participants' contributions totaled \$595,315 and \$545,431, respectively, for fiscal years 2008 and 2007.

The Agency also participates in a deferred compensation plan under Section 457 of the Internal Revenue Code. The Utah Retirement System's adoption of Governmental Accounting Standards Board Statement No. 32 (GASB No. 32) *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, resulted in reporting the 457 plan as a Trust Fund of the Retirement System. Employee contributions to the plan for the years ending June 30, 2008 and 2007, were \$201,372 and \$147,137, respectively.

WEBER HUMAN SERVICES
Notes to the Financial Statements
June 30, 2008 and 2007

Note 8 – Risk Management

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the Agency carries commercial insurance. The Agency also carries commercial workers' compensation insurance. There were no significant reductions in coverage from the prior year, and settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 9 – Commitments

The Agency contracts with PAAG, (a non-profit organization), on a year to year basis to provide residential support to patients of the Agency. The contract cost for 2008 and 2007, respectively, was \$940,471 and \$803,487.

Note 10 – Related Parties

Related parties of the Agency consist of Weber and Morgan Counties. Unrestricted grant revenues received from Weber County during fiscal years 2008 and 2007 were \$1,840,599 and \$1,794,302, respectively. Unrestricted grant revenues received from Morgan County during fiscal years 2008 and 2007 were \$41,914 and \$33,777, respectively.

Additionally, the Agency had contracted with Weber County to provide building maintenance services for the Agency until the end of 2007 fiscal year. Contract expenses for building maintenance for the fiscal years 2008 and 2007 were \$0 and \$85,562, respectively.

Note 11 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Agency. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Agency expects such amounts, if any, to be immaterial.

Note 12 – Insurance Coverage

Insurance coverage at June 30, 2008 consists of the following:

| <u>Description</u> | <u>Amount of</u> <u>Coverage</u> |
|--------------------------------------|-------------------------------------|
| Personal Property – blanket coverage | \$ 19,662,866 |
| Commercial general liability | 1,000,000 |
| Professional liability | 1,000,000 |
| Director's & Officers liability | 1,000,000 |
| Public employee dishonesty | 1,000,000 |
| Forgery alterations | 1,000,000 |
| Computer fraud | 1,000,000 |
| Public Officials bond | 1,000,000 |
| Vehicles | 1,000,000 |
| Workers Compensation | 1,000,000 |
| Accidental death & dismemberment | 5,000 |
| Boiler & machinery | 15,000,000 |

SUPPLEMENTARY INFORMATION

WEBER HUMAN SERVICES
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

| <u>Federal Grantor / Pass Through Grantor / Program Title</u> | <u>Pass-Through Grantor's Number</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures/ Disbursements</u> | <u>Major Program</u> |
|---|--|------------------------------------|--|--------------------------|
| <u>U.S. Department of Health and Human Services:</u> | | | | |
| <u>Direct:</u> | | | | |
| JV Drug Court | 2003-DC-BX-0078 | 16.585 | 33,033 | |
| RSVP Action | U02SRPUT045 | 94.002 | 110,766 | |
| Senior Companion | U02SCPUT010 | 94.016 | 316,836 | X |
| Foster Grandparent | U02SFPUT036 | 94.011 | 283,848 | |
| Total Direct Programs | | | 744,483 | |
| <u>Passed through Utah State Department of Human Services:</u> | | | | |
| Federal Block Grant | 06-0005 | 93.958 | 187,796 | |
| Homeless FBH | 08-0428 | 93.150 | 66,500 | |
| Project Reconnect | 04-1032 | 93.230 | 951 | |
| UTCAN | 06-1686 | 93.243 | 22,600 | |
| UTCAN-PILOT PROJECT | 08-1700 | 93.243 | 50,000 | |
| Family Resources Facilitator | 08-1592 | 93.958 | 4,699 | |
| SAPT Grant | 05-2442 | 93.959 | 1,325,003 | X |
| Drug Free Schools | 05-2442 | 84.186B | 40,960 | |
| SIG/SPF | 08-2015 | 93.243 | 41,311 | |
| Senior Centers | 08-0579 | 93.044 | 152,725 | X |
| Nutrition Centers | 08-0579 | 93.045 | 270,690 | X |
| NFCSP Caregiver | 08-0579 | 93.052 | 64,612 | |
| Disease Prevention & Health Promotion | 08-0579 | 93.043 | 11,662 | |
| Ombudsman | 08-0579 | 93.042 | 4,733 | |
| Waivers | 07-0729 | 93.778 | 23,911 | |
| SSBG | 07-0279 | 93.667 | 86,977 | |
| Total passed through | | | 2,355,130 | |
| Total U.S. Department of Health and Human Services | | | \$ 3,099,613 | |

See accompanying notes to Schedule of Expenditures of Federal Awards.

WEBER HUMAN SERVICES
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

| <u>Federal Grantor / Pass Through Grantor / Program Title</u> | <u>Pass-Through Grantor's Number</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures/ Disbursements</u> | <u>Major Program</u> |
|---|--|------------------------------------|--|--------------------------|
| <u>U.S. Department of Agriculture:</u> | | | | |
| <u>Passed through Utah State Department of Human Services:</u> | | | | |
| Elderly feeding program | 08-0579 | 10.550 | <u>154,785</u> | |
| Total U.S. Department of Agriculture | | | <u>154,785</u> | |
| <u>U.S. Department of Labor:</u> | | | | |
| <u>Passed through Utah State Department of Human Services</u> | | | | |
| SCSP | 08-0579 | 17.235 | <u>53,560</u> | |
| Total U.S. Department of Labor | | | <u>53,560</u> | |
| <u>Other Federal Assistance:</u> | | | | |
| Health insurance counseling | 08-0579 | 93.779 | 10,725 | |
| Ut Comm. on Criminal and Juvenile Justice-RSAT | 7R01 | 16.593 | <u>37,306</u> | |
| Total other federal assistance | | | <u>48,031</u> | |
| TOTALS | | | <u><u>\$ 3,355,989</u></u> | |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

WEBER HUMAN SERVICES
Notes to Schedule of Expenditures of Federal Awards
June 30, 2008

Note – 1 Purpose of the Schedule

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to Weber Human Services' financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of Weber Human Services, it is not intended to and does not present either the financial position, changes in fund balances or the current funds revenue, expenditures and other changes of Weber Human Services.

Note – 2 Significant Accounting Policies

Basis of Presentation - The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Awards - Pursuant to the Single Audit Act of 1984 (Public Law 98-402) and OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, insurance, or direct appropriations. Federal awards, accordingly, non-monetary federal awards, including federal surplus property, is included in federal awards and, therefore, is reported on the Schedule. It does not include direct federal cash assistance to individuals. Solicited contracts between the State and Federal Government for which the Federal Government procures tangible goods or services are not considered to be federal awards.

Type A and Type B programs - The Single Audit Act Amendments of 1996 and OMB Circular A-133 establishes the levels of expenditures or expenses to be used in defining Type A and Type B federal awards programs. Type A programs, for Weber Human Services, are those programs which exceed \$300,000 in federal expenditures, distributions, or issuances for the fiscal year ended June 30, 2008.

Reporting Entity - The reporting entity is fully described in Note 1 of Weber Human Services' financial statements. The Schedule includes all federal financial awards received directly from federal agencies as well as federal financial awards passed through from other governmental agencies for the year ended June 30, 2008.

Basis of Accounting - The expenditures in the Schedule are recognized as incurred based on the accrual basis of accounting and the cost accounting principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*. Under those cost principles, certain types of expenditures are not allowable or are limited to the amount of reimbursement.

Matching Costs - The Schedule does not include matching expenditures.

Direct and Indirect Flow-Through Federal Assistance - The majority of the Weber Human Services' federal awards are received directly from the granting federal agency (i.e., Weber Human Services is the primary recipient). However, there is a portion of federal awards, as identified on the schedule, that are passed through a separate entity prior to receipt by Weber Human Services (i.e., Weber Human Services is a sub-recipient).

WEBER HUMAN SERVICES
Statement of Functional Expenses
June 30, 2008

Operating expenses:

| | Mental Health | Substance Abuse | Aging | Weber MACS | Psychology | Administrative | Pharmacy | Total |
|---------------------------------|---------------------|---------------------|---------------------|-------------------|-------------------|---------------------|-------------------|----------------------|
| Salaries and benefits | \$ 7,606,929 | \$ 3,650,152 | \$ 2,326,382 | \$ 390,606 | \$ 161,609 | \$ 2,575,793 | \$ 269,333 | \$ 16,980,804 |
| Travel | 28,888 | 54,194 | 56,055 | 10,340 | 45 | 26,359 | - | 175,881 |
| Office expenses and supplies | 111,723 | 93,906 | 46,433 | 9,279 | 2,986 | 86,934 | 13,400 | 364,661 |
| Equipment and vehicle expenses | 15,087 | 22,086 | 197,371 | 17,816 | 2,986 | 254,616 | 4,547 | 511,523 |
| Building expense | 207,867 | 141,446 | 100,537 | 7,943 | 4,480 | 89,252 | 7,577 | 559,102 |
| Service fees | 1,275,398 | 1,039,551 | (9,835) | - | 91,750 | 37,034 | 7,025 | 2,440,923 |
| Program expense | 386,718 | 217,969 | 1,528,373 | 24,082 | 4,848 | 116,305 | 8,483 | 2,286,778 |
| Depreciation | 169,633 | 68,656 | 204,888 | 9,930 | 3,012 | 136,703 | 10,270 | 603,092 |
| Total Operating Expenses | \$ 9,802,243 | \$ 5,287,960 | \$ 4,450,204 | \$ 469,996 | \$ 268,730 | \$ 3,322,996 | \$ 320,635 | \$ 23,922,764 |

See auditor's report

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REPORTS

WEBER HUMAN SERVICES
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2008

JUNE 30, 2007 FINDINGS AND QUESTIONED COSTS

2007-1

Condition and Criteria: During testing of payroll we found a lack of documentation in personnel files. Personnel Action Forms authorizing pay rates for employees were missing. Many of the files were lacking W-4's and the proper documentation authorizing direct deposit. Also many files did not distinguish the department to which the employee was to be charged.

Auditor's Recommendation: A control document should be created listing all required documents for personnel files. Routinely all personnel files should be reviewed and updated as necessary.

Current Status: Although some immaterial documentation items were noted in the current year. The problem was resolved.

2007-2

Condition and Criteria: The Cash-Morgan bank account is not being reconciled. This account is used for collection of money for food programs for the elderly. A journal entry is made each month to reconcile the account to the bank balance.

Auditor's Recommendation: The Cash-Morgan account should be reconciled to the bank statement monthly.

Current Status: The Cash-Morgan bank account is being reconciled monthly. The problem was resolved.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing
Standards**

**To The Board of Directors
Weber Human Services**

We have audited the financial statements of Weber Human Services as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Weber Human Services' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Weber Human Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliable in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2008-1

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Others Matters

As part of obtaining reasonable assurance about whether Weber Human Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2008-2.

We noted certain other matters that we reported to management of Weber Human Services in a separate letter dated December 5, 2008.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "L. J. Company, P.C.", is written in a cursive style.

December 5, 2008

**Report on Compliance With Requirements Applicable to Each Major
Program and on Internal Control Over Compliance in Accordance
With OMB Circular A-133**

**To the Board of Directors
Weber Human Services**

Compliance

We have audited the compliance of Weber Human Services with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended June 30, 2008 and 2007. Weber Human Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Weber Human Services' management. Our responsibility is to express an opinion on Weber Human Services' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Weber Human Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Weber Human Services' compliance with those requirements.

In our opinion, Weber Human Services' complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008 and 2007.

Internal Control Over Compliance

The management of Weber Human Services is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Weber Human Services' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Weber Human Services' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Weber Human Services' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Weber Human Services' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

City & Company, P.C.

December 5, 2008

WEBER HUMAN SERVICES
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

- | | | |
|----|--|--------------------|
| 1) | Type of auditors' report issued on financial statements: | <u>Unqualified</u> |
| 2) | Significant deficiencies in internal control were disclosed by the audit in accordance with <i>Governmental Auditing Standards</i> : | <u>Yes</u> |
| | Significant deficiencies that are material weaknesses in accordance with <i>Governmental Auditing Standards</i> : | <u>Yes</u> |
| 3) | Noncompliance which is material to the financial statements disclosed by the audit: | <u>Yes</u> |
| 4) | Significant deficiencies in internal control over major programs disclosed by the audit: | <u>No</u> |
| | Significant deficiencies in internal control that are a material weakness: | <u>No</u> |
| 5) | Type of auditors' report issued on compliance for major programs: | <u>Unqualified</u> |
| 6) | Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a): | <u>No</u> |
| 7) | Major Programs: SAPT Grant Senior Companion Senior Centers Nutrition Centers | |
| 8) | Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$300,000</u> |
| 9) | Auditee qualified as a low-risk auditee: | <u>Yes</u> |

WEBER HUMAN SERVICES
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

**SECTION 2 - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED
GOVERNMENT AUDITING STANDARDS**

2008-1

Condition and Criteria: We noted in our audit that there were multiple items that required adjustments to ensure complete and accurate financial statements. Asset, liabilities, revenues, and expenses required adjustments.

Cause and Effect: Incomplete accounting records.

Auditor's Recommendation: We recommend the agency institute procedures to ensure that all accounting records are properly recorded prior to commencement of the audit.

Grantee Response: Weber Human Services concurs with the finding and will institute processes to ensure that all items are satisfactorily completed and recorded by the beginning of the audit. There may be items that will need adjustment based on items that come up during the audit, but this will be reduced from the current year.

2008-2

Condition and Criteria: We noted in our audit that the agency is not maintaining the required 60-day cash reserve equivalent as required by the Utah Department of Health.

Cause and Effect: Due to decreased revenues the agency has not been able to maintain adequate cash reserve balances.

Auditor's Recommendation: We recommend the agency look into refinancing assets to obtain the additional cash reserves necessary to meet the requirements as defined by the Utah Department of Health.

Grantee Response: Weber Human Services has sent a letter to the Utah State Department of Health notifying them of this condition. This is a requirement of the contract. To date we have not received a response to this letter. WHS is also examining ways to come into compliance with this requirement; such as lines of credit, refinancing of buildings, etc. WHS will work with the Department of Health to come into compliance with this finding.

Independent Auditors' Report - State Legal Compliance

**To the Board of Directors
Weber Human Services**

We have audited the accompanying financial statements of Weber Human Services for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. As part of our audit, we have audited Weber Human Services' compliance with the requirements governing types of services allowed or un-allowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2008. The Agency received the following major assistance programs from the State of Utah:

Utah State Department of Human Services:
Residential Services
Adult Services - HCB Alternatives Program
Mental Health Contracts
Substance Abuse Contracts

Our audit also included test work on the Agency's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

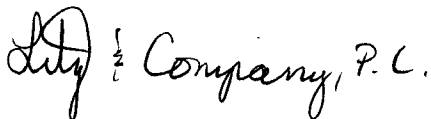
| | | |
|-----------------|---------------------------------|-------------------------|
| Public Debt | Budgetary Compliance | Purchasing Requirements |
| Cash Management | Other General Compliance Issues | |

The management of Weber Human Services is responsible for the Agency's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Weber Human Services complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or un-allowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2008.

 Litz & Company, P.C.

December 5, 2008

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**WEBER HUMAN SERVICES
MANAGEMENT RECOMMENDATION LETTER**

December 5, 2008

**To the Board of Directors
Weber Human Services**

We have completed our audit for the year ended June 30, 2008 and have issued our report on the statements dated December 5, 2008. We would encourage your review of those documents. We make the following recommendations as possible improvements for your consideration.

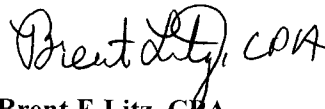
Personnel Action Forms – Although significant progress has been made in completing personnel action forms, during our testing or payroll, we found two individuals who did not have a the proper personnel action forms in their files. We would encourage the continued use of the personnel action forms, even in the case of promotion or change in status.

Benefit changes - During the audit process we found that there were several instances of employees who received paychecks that did not accurately reflect changes they had made to benefits, withholdings, etc. We would encourage the agency to implement a policy notifying employees that any changes that they make to their benefits, withholdings, etc, will not be effective until the next pay period, or provide them with a cutoff date.

Patient funds – We found that the patient fund cash account was not in balance with the associated liability. We would encourage a reconciliation of these two accounts occur each month, alongside the bank reconciliation.

Sincerely,

LITZ & COMPANY, PC



Brent E Litz, CPA

